



The Westaim Corporation Reports 2015 Third Quarter Results

(Note: All dollar amounts in this press release are expressed in U.S. dollars, except as otherwise noted. The financial results are reported under International Financial Reporting Standards, except as otherwise noted.)

Toronto, Canada – November 12, 2015 – The Westaim Corporation (“Westaim” or the “Company”) (TSXV: WED) today announced that it recorded net income of \$7.0 million or \$0.07 per share for the three months ended September 30, 2015, compared to net income of \$15.0 million or \$0.28 per share for the three months ended September 30, 2014. For the nine months ended September 30, 2015, Westaim recorded net income of \$13.4 million or \$0.17 per share compared to net income of \$10.9 million or \$0.40 per share for the nine months ended September 30, 2014.

Book value per share was \$2.31 (C\$3.09) at September 30, 2015, compared to \$2.34 (C\$2.71) at December 31, 2014.

On August 31, 2015, the Company satisfied the escrow release conditions in relation to the equity financings conducted in connection with the Arena Transactions (as hereinafter defined) and issued an aggregate of 72,889,376 common shares for aggregate net proceeds of \$169.3 million, net of share issuance costs of \$9.9 million. The Company also completed the Arena Transactions and capitalized Arena Finance Company Inc. (“Arena Finance”) and Westaim Origination Holdings, Inc. (“Arena Origination”) in the amounts of approximately \$146.6 million and \$34.3 million, respectively. The Company also capitalized and started up the business of Arena Investors, LP (“Arena Investors” and collectively with Arena Finance and Arena Origination and related entities, the “Arena Group”). The establishment, capitalization and organization of Arena Finance and Arena Origination and Arena Investors are referred to as the “Arena Transactions”. The capital invested by the Company in Arena Finance and Arena Origination, less expenses incurred during the period ended September 30, 2015, was held by their subsidiaries in cash and cash equivalents at September 30, 2015, and will be invested by Arena Finance and Arena Origination in their future business operations.

The Company recorded a net unrealized gain on its investments of \$6.1 million and \$15.9 million in the three and nine months ended September 30, 2015, respectively. The net unrealized gain of \$6.1 million in the third quarter of 2015 consisted of an unrealized gain related to Westaim HIIG Limited Partnership (the “HIIG Partnership”) of \$6.6 million, offset in part by an unrealized loss of \$0.5 million related to the Arena Group. The net unrealized gain of \$15.9 million in the nine months ended 2015 consisted of an unrealized gain related to the HIIG Partnership of \$16.4 million, partially offset by an unrealized loss of \$0.5 million related to the Arena Group. The unrealized loss of the Arena Group resulted from costs incurred for operational start-up and other ongoing operating expenses. The unrealized gain on the Company’s investments for the three and nine months ended September 30, 2014 was \$11.9 million and related solely to the HIIG Partnership.

At September 30, 2015, Westaim owned approximately 58.5% of the limited partnership interests in the HIIG Partnership representing an approximate 44.1% indirect interest in Houston International Insurance Group, Ltd. (“HIIG”). HIIG’s unaudited consolidated stockholders’ equity as at September 30, 2015, determined in accordance with United States generally accepted accounting principles, was \$323.8 million, and the HIIG Partnership owned approximately 75.4% of HIIG’s common shares.

At September 30, 2015, Westaim’s unaudited consolidated shareholders’ equity was \$331.9 million, compared to \$167.2 million at December 31, 2014. At September 30, 2015, the Company had 143,186,718 common shares outstanding, no debt, and a cash balance of approximately \$11.9 million.

“Westaim is very excited to have completed the Arena Transactions and we are well underway in working with Dan Zwirn and his team in building the Arena businesses. We are pleased with the continuing growth of the Company’s investment in HIIG as Stephen Way and his management team execute the HIIG specialty insurance business plan,” said J. Cameron MacDonald, President and Chief Executive Officer of Westaim.

Westaim will be holding an investor day to provide an update on its business. The investor day will be held on November 17, 2015 at 10:00 A.M. EST at St. Andrew’s Club and Conference Centre, 150 King Street West, S3/S4 Inverness Room, 27th Floor. The agenda will include presentations and Q&A sessions with Westaim senior management, Stephen L. Way, Chairman and Chief Executive Officer, Houston International Insurance Group, Ltd. and Daniel B. Zwirn, Chief Executive Officer and Chief Investment Officer of the Arena Group of Companies. If you are interested in attending the investor day, please R.S.V.P. to Laurie Morra at lmorra@westaim.com.

Westaim’s unaudited consolidated financial statements and management’s discussion and analysis for the three and nine months ended September 30, 2015 and 2014 were filed on SEDAR at www.sedar.com, and have been posted to Westaim’s website at www.westaim.com.

Change in functional and presentation currency

All currency amounts in this press release are expressed in U.S. dollars ("USD" or "US\$") unless otherwise noted. As a result of the completion of the Arena Transactions, Westaim now expects a significant majority of revenues and costs to be sourced and incurred in USD. Therefore, the Company has changed its functional currency from Canadian dollars (C\$) to USD, prospectively from the date of change of August 31, 2015, in accordance with International Accounting Standard ("IAS") 21 "The Effects of Changes in Foreign Exchange Rates". On August 31, 2015, the Company also changed its presentation currency from Canadian dollars to USD. Comparative information has been restated in USD in accordance with IAS 21. See note 2 to the Company's unaudited consolidated financial statements for the three and nine months ended September 30, 2015 and 2014 for the procedures used in translating the Company's comparative financial statements and associated notes prior to August 31, 2015.

Non-GAAP Financial Measures

Westaim uses both International Financial Reporting Standards ("IFRS") and non-generally accepted accounting principles ("non-GAAP") measures to assess performance. The Company cautions readers about non-GAAP measures that do not have a standardized meaning under IFRS and are unlikely to be comparable to similar measures used by other companies. Book value per share is a non-GAAP measure. Book value per share represents shareholders' equity at the end of the period determined on an IFRS basis and adjusted upwards by the Company's liability with respect to RSUs, divided by the aggregate of the total number of common shares outstanding at that date and the number of common shares that would have been issued if all outstanding RSUs were exercised. Readers are urged to review Westaim's management's discussion and analysis in respect of its unaudited consolidated financial statements as at and for the three and nine months ended September 30, 2015 for additional disclosure regarding these measures. The financial information relating to the Arena Group and HIIG contained herein and in Westaim's Management's Discussion and Analysis in respect of its unaudited consolidated financial statements for the three and nine months ended September 30, 2015 and 2014 is unaudited and has been derived from the unaudited interim consolidated financial statements of the related entities. Readers are cautioned that the HIIG financial information has not been reconciled to IFRS and so may not be comparable to the financial information of issuers that present their financial information in accordance with IFRS.

About Westaim

Westaim is a Canadian investment company specializing in providing long-term capital to businesses operating primarily within the global financial services industry. The Company invests, directly and indirectly, through acquisitions, joint ventures and other arrangements, with the objective of providing its shareholders with capital appreciation and real wealth preservation. Westaim's strategy is to pursue investment opportunities with a focus towards the financial services industry and grow shareholder value over the long term. Westaim's common shares are listed on the TSX Venture Exchange under the trading symbol WED.

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Certain portions of this press release as well as other public statements by Westaim contain forward-looking statements. Such forward-looking statements include but are not limited to statements concerning: strategies, alternatives and objectives to maximize value for shareholders; expectations and assumptions relating to the Company's business plan; expectations and assumptions relating to the business and operations of the Arena Group and HIIG; expectations regarding the Company's assets and liabilities; the Company's ability to retain key employees; management's belief that its estimates for determining the valuation of the Company's assets and liabilities are appropriate; the Company's views regarding potential future remediation costs; the effect of changes to interpretations of tax legislation on income tax provisions in future periods; and the Company's determination that the adoption of new accounting standards will not have a material impact on its consolidated financial statements. These statements are based on current expectations that are subject to risks, uncertainties and assumptions and Westaim can give no assurance that these expectations are correct. The Company's actual results or financial position could differ materially from those anticipated by these forward-looking statements for various reasons generally beyond the Company's control, including, without limitation, the following factors: the Arena Group is effectively a start-up venture with no operating history; operational risks; due diligence risks; valuation risks; change(s) in the investment management industry; legal risks; lack of investment opportunities; regulatory compliance; poor investment performance; illiquid strategies; failure of risk management; failure to attract and retain qualified staff; competitive pressures; conflicts of interest; employee error or misconduct; loan concentration; creditworthiness of borrowers; default by and bankruptcy of a borrower; adequacy of provision for credit losses; insufficient collateral securing loans; monitoring, enforcement and liquidation procedures; fraud by a borrower; lack of regulation of asset-based lenders; United States tax law implications relating to the conduct of a U.S. trade or business; potential treatment of the Company as a passive foreign investment company for U.S. federal income tax purposes; the Company's ability to implement its investment strategies or operate its business as management currently expects; the Company's ability to generate revenue from its investments; the Company and/or HIIG may

have undisclosed liabilities; the Company's ability to obtain additional funding to pursue additional acquisitions or other investments; the occurrence of catastrophic events including terrorist attacks and weather related natural disasters; the cyclical nature of the property and casualty insurance industry; HIIG's ability to accurately assess the risks associated with the insurance policies that it writes and to adequately reserve against past and future claims; the effects of emerging claim and coverage issues on HIIG's business; the effect of government regulations designed to protect policyholders and creditors rather than investors; the effect of climate change on the risks that HIIG insures; HIIG's reliance on brokers and third parties to sell its products to clients; the effect of intense competition and/or industry consolidation; HIIG's ability to accurately assess underwriting risk and to predict future claims frequency; the effect of risk retentions on HIIG's risk exposure; HIIG's ability to alleviate risk through reinsurance; dependence by HIIG on key employees; the effect of litigation and regulatory actions; HIIG's ability to successfully manage credit risk (including credit risk related to the financial health of reinsurers); HIIG's ability to compete against larger more well-established competitors; unfavourable capital market developments or other factors which may affect the investments of HIIG; HIIG's ability to maintain its financial strength and credit ratings; HIIG's ability to obtain additional funding; HIIG's ability to successfully pursue its acquisition strategy; HIIG may be exposed to goodwill or intangible asset impairment in connection with its acquisitions; the ability of HIIG to receive dividends from its subsidiaries; HIIG's reliance on information technology and telecommunications systems; dependence by HIIG on certain third party service providers; general economic, financial and political conditions; the volatility of the stock market and other factors affecting the Company's share price; fluctuations in the USD to Canadian dollar exchange rate; future sales of a substantial number of the Company's common shares; and other risk factors set forth herein or in the Company's annual report or other public filings. Westaim disclaims any intention or obligation to revise forward-looking statements whether as a result of new information, future developments or otherwise except as required by law. All forward-looking statements are expressly qualified in their entirety by this cautionary statement.

Neither TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.

The Westaim Corporation

Financial Highlights

(millions of USD except share and per share data)

Highlights	Three months ended September 30		Nine months ended September 30	
	2015	2014 (restated ¹)	2015	2014 (restated ¹)
Revenue	\$ 0.4	\$ 0.5	\$ 1.0	\$ 0.6
Net results of investments	6.1	11.9	15.9	11.9
Share-based compensation recovery (expense)	0.3	-	(2.5)	(0.1)
Other expense recovery (other expenses)	0.2	2.6	(1.0)	(1.5)
Profit	\$ 7.0	\$ 15.0	\$ 13.4	\$ 10.9
Earnings per share - basic and diluted	\$ 0.07	\$ 0.28	\$ 0.17	\$ 0.40
Profit	\$ 7.0	\$ 15.0	\$ 13.4	\$ 10.9
Other comprehensive loss	(9.0)	(5.6)	(20.5)	(5.9)
Comprehensive (loss) income	\$ (2.0)	\$ 9.4	\$ (7.1)	\$ 5.0
At September 30:				
Shareholders' equity	\$ 331.9	\$ 165.9	\$ 331.9	\$ 165.9
Number of common shares outstanding	143,186,718	70,297,342	143,186,718	70,297,342
Book value per share - in US\$	\$ 2.31 ²	\$ 2.36	\$ 2.31 ²	\$ 2.36
Book value per share - in C\$	\$ 3.09 ³	\$ 2.65 ³	\$ 3.09 ³	\$ 2.65 ³

¹ Comparative information restated due to a change in presentation currency from the Canadian dollar to USD.

² Book value per share at the end of the period represents shareholders' equity at the end of the period determined on an IFRS basis and adjusted upwards by the Company's liability with respect to RSUs (September 30, 2015 - \$4.1 million; September 30, 2014 - \$nil), divided by the aggregate of the total number of common shares outstanding at that date and the number of common shares that would have been issued if all outstanding RSUs (September 30, 2015 - 2,375,000 units, September 30, 2014 - nil) were exercised.

³ Book value per share at September 30, 2015 and September 30, 2014 converted from US\$ to C\$ at period end rates of 1.3394 and 1.1208, respectively.

Financial Position	September 30, 2015	December 31, 2014 (restated ¹)
Assets		
Cash and cash equivalents	\$ 11.9	\$ 80.0
Accounts receivable and other assets	2.3	0.6
Investments in private entities	324.9	93.7
Investments in associates	1.3	-
	\$ 340.4	\$ 174.3
Liabilities		
Accounts payable and accrued liabilities	\$ 5.2	\$ 3.6
Site restoration provision	3.3	3.5
	8.5	7.1
Shareholders' equity	331.9	167.2
Total liabilities and shareholders' equity	\$ 340.4	\$ 174.3

¹ Comparative information restated due to a change in presentation currency from the Canadian dollar to USD.